



DEPARTMENT OF THE AIR FORCE
WASHINGTON, DC

OFFICE OF THE ASSISTANT SECRETARY

AUG 26 2004

MEMORANDUM FOR AF/IL

FROM: SAF/AQ

SUBJECT: Contractor vs NAF Memorandum of Agreement (MOA) Performance

I am providing this memo to inform you of an issue facing both our communities (Contracting and Services) that appears to be rapidly escalating. As you are probably aware, there has been a recent surge in efforts to convert contractor-performed services to performance by Non-Appropriated Fund Instrumentality (NAFI) Program employees under NAF MOA. To date these have involved several bases and functions; food service at Charleston AFB, Seymour-Johnson AFB, and Tinker AFB; library services at Shaw AFB and Minot AFB.

As I understand, the main thrust of these conversions is cost savings - primarily due to the fact that federal contractors are required by law (the Service Contract Act) to pay specific wages and benefits. Because of the provisions of the act, they are typically higher than the NAF wages and benefits. These conversion efforts are having an adverse impact on our current contractors. Specifically affected are contractors under socioeconomic programs such as the Small Business program and Javits-Wagner-O'Day Act (*for performance by people who are blind or severely disabled*). Besides the cost savings, I believe we need to consider the other consequences of such decisions. Although there is a SAF/GCQ legal opinion that indicates the Air Force can bring this type work back "in-house," I am concerned there is not a consistent and valid methodology for doing so.

In order to avoid continued scrutiny by Congress and others, I strongly endorse a moratorium effective immediately; on further conversions until a coordinated Air Force policy can be developed, which articulates a logical and repeatable process. I have informed AQC staff to be prepared to team with you and your staff to ensure a policy is in place within 60 days. My point of contact is Mr. Fredrick Beaman at SAF/AQC, (703) 588-7007.

MARVIN R. SAMBUR
Assistant Secretary of the Air Force
(Acquisition)